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The Board of Directors of Dominion Stores Limited Presents The 51st Annual Report TO THE SHAREHOLDERS

Fiscal Year Ended March 20, 1971

Contents

Version française—On peut obtenir un exemplaire français du présent Rapport annuel en s'adressant au Secrétaire de la Compagnie, 605 Rogers Road, Toronto 15, Ontario.

Auditors
McDonald, Currie & Co., Toronto

Bankers
Bank of Montreal
Banque Canadienne Nationale
Banque Provinciale du Canada
Canadian Imperial Bank of Commerce
The Bank of Nova Scotia
The Royal Bank of Canada
The Toronto-Dominion Bank

Transfer Agents
Crown Trust Company
Toronto, Montreal and Vancouver
Canada Permanent Trust Company
Halifax and Saint John
Bankers Trust Company, New York

Registrars
Crown Trust Company,
Toronto, Montreal and Vancouver
Canada Permanent Trust Company,
Halifax and Saint John
Bankers Trust Company, New York

The Annual Meeting of Shareholders will be held at the Head Office of the Company, 605 Rogers Road, Toronto, on Monday, the 23rd day of August, 1971, at the hour of 11:00 a.m.

Comparative Highlights

	For the Years Ended March 20, 1971 (52 Weeks)	March 21, 1970 (52 Weeks)
Sales (An increase of $116,807,174 or 17.92%)	**$768,456,909**	$651,649,735
Net Earnings	**$ 3,322,166**	$ 9,318,397
per dollar of sales	**.43¢**	1.43¢
per share of common stock	**$ .41**	$ 1.15
Dividends	**$ 5,816,253**	$ 5,813,509
per share of common stock	**72¢**	72¢
Working Capital	**$ 27,089,996**	$ 18,415,081
Ratio of Current Assets to Current Liabilities	**1.64**	1.48
Total Reinvested Earnings	**$ 64,745,587**	$ 67,932,452
Shareholders' Equity	**$ 80,499,111**	$ 83,676,732
Number of Stores at End of Year	**397**	398

Directors and Management

Directors

*JOHN A. McDOUGALD
Chairman of the Board and Chairman of the Executive Committee

LEWIS H. M. AYRE

*ALEX E. BARRON

*STEWART G. BENNETT

*GEORGE M. BLACK, JR.

PIERRE PAUL DAIGLE

*A. BRUCE MATTHEWS

*THOMAS G. McCORMACK

*MAXWELL C. G. MEIGHEN

ANDRE MONAST, Q.C.

WILLIAM J. STEWART

*E. P. TAYLOR

**Executive Committee*

Corporate Management

THOMAS G. McCORMACK
President and Chief Executive Officer

THOMAS G. BOLTON
Vice-President, Corporate Development

W. FRANK CAPSTICK
Vice-President, Operations

NATHANIEL H. SHAW, Q.C.
Vice-President and General Counsel

WILLIAM J. STEWART
Vice-President and Secretary

E. CLIFFORD WENT
Vice-President, Administration

ALLEN C. JACKSON
Director of Merchandising

NELSON W. LANCASTER
Comptroller, Operations

A. WILLIAM TOMLIN
Comptroller, Corporate Finance

Divisional Management

ALBERT DAVID
Eastern Ontario and Quebec

ROBERT H. JARDINE
Atlantic Provinces

RUSSELL L. NETHERTON
Ontario and Western Provinces

District Management

RÉAL BROUILLETTE
Quebec, Quebec

JAMES F. EARLE
Halifax, N.S.

ELTON C. HAINES
St. John's, Nfld.

CHARLES T. E. HALSEY
Toronto, Ontario

JOHN A. HIGGINSON
Toronto, Ontario

RONALD C. HYNE
Hamilton, Ontario

RAYMOND LUCYSHYN
Winnipeg, Man.

JAMES A. MALCOLM
Sudbury, Ontario

PERCY M. MONTFORD
Saint John, N.B.

J. SKIFFINGTON MURCHIE
Toronto, Ontario

JOHN PANDER
Montreal, Quebec

JOHN I. QUINN
Windsor, Ontario

HARRY TAYLOR
Ottawa, Ontario

GILBERT VIENNEAU
Montreal, Quebec

Special Management

ERVIN F. CAVEN
Director, Personnel and Labour Relations

STANLEY P. GIBSON
Director, General Merchandise

EDWARD D. HARVISON
Director, Consumer Affairs

JOHN NESTOR
Director, Corporate Planning

RICHARD J. O'BRIEN
Director, Advertising and Promotions

THOMAS THOMSON
Director, Plant Operations

Annual Report To Our Shareholders

John A. McDougald

Thomas G. McCormack

In November, 1970, your Company announced a fundamental change in its merchandising policy. The immediate result of this change was a drastic reduction in earnings. The long term result, in the view of your Directors, will be greatly increased strength and growth and a significant improvement in the company's competitive position in the Canadian grocery retailing field.

The fundamental change was the adoption of the new deep discount pricing policy. The Directors and management reached the decision to adopt this policy in full awareness of the difficulties involved. It was not an easy decision, but in a very real sense it was the only possible decision. The alternatives were:

—To continue the existing policies, accepting a steady erosion of profits, facing an increased attack by low-price competitors.

OR

—To fight the discount competition on their own ground, making our prices the lowest, while maintaining high standards of quality, choice and service, and thereby drawing a clear line between ourselves and the traditional marketer—the kind of marketer we had essentially been in recent years.

The first alternative was not acceptable because, even though it offered some protection of profits in the next few years, it really meant the ultimate elimination of Dominion as a major force. The longer we delayed, the greater the scope we were allowing the competing discounters to encroach on our field of business and solidify their hold on a rapidly growing segment of the market.

The second alternative, the one your company chose to follow, was a costly one both in terms of the expense involved in a major change in procedures and practices, and in the immediate reduction of margin on all goods sold by Dominion. But because of Dominion's size and of its basic strength in the market place, your Directors were confident that immediate sales increases and ultimate improvement in net profits could be achieved.

In the annual report of one year ago, it was noted that profits per dollar of sales had continued their decline in fiscal 1970. In the first six months of fiscal 1971, before the introduction of discounting, sales rose at an even greater rate than in the same period in fiscal 1970, but in spite of this, net profit dropped by almost 7 per cent—three times the rate of decline experienced in fiscal 1970.

There was no indication that the circumstances which were creating this profit squeeze and which were beyond your company's control could be expected to reverse themselves. Directors were convinced that the shareholders would not wish Dominion to continue to operate on

the traditional basis when it was apparent that despite any sales growth that might be achieved, profit would continue to diminish.

The factors beyond Dominion's control referred to above included:

—the increased price consciousness of consumers;

—outbreaks of discounting among some of our competitors, in some cases on a relatively large scale;

—increased costs of all goods and services, largely reflecting inflationary increases in wage rates;

—increased taxes by all levels of Government. Total expenditure of Governments in Canada now amounts to more than one-third of the Gross National Product.

—increased costs of employee wages and benefits;

Dominion's average hourly wages have gone up 69 per cent since 1963. There was a $15 million increase in employee costs last year and in the current year the increase will be $18 million.

This rising trend in all our costs is not likely to be reversed. Therefore, it is the company's policy to increase to a maximum degree the productivity of facilities, of management and of staff, by seeking maximum sales increases.

Maximum sales increases can be achieved in the price-conscious atmosphere that has become a permanent part of the Canadian scene only by having consistently lower prices than competitors; by making sure that the public is aware of and believes in the existence of this lower price policy; by maintaining high standards of choice, quality and service; and by operating stores which are large enough and properly equipped to accommodate very heavy volumes of merchandise and large numbers of shoppers.

In the fourth quarter of the 1971 fiscal year, the first full quarter after the commencement of deep discount pricing, sales volume rose by almost $56 million, or 32.6 per cent over figures for a year earlier.

The recent developments in supermarket merchandising have been referred to as a price war. In a war, there are winners and losers. Dominion intends to be the winner, partly because it is the largest organization in its field in Canada, partly because of its existing reputation for quality in all aspects of its operations, but mainly because of its whole-hearted commitment to price leadership in all markets. Independent studies published recently confirm Dominion's leadership in price and quality and other important categories.

The President remarked at last year's Annual Meeting that in the future there might well be fewer supermarkets in relation to population, although those that remain will probably accommodate far more customers and a far greater volume and variety of merchandise than many present supermarkets do.

As competition becomes more intense, some retailers will find that part and perhaps all of their operations have ceased to be profitable and acceptable to the public. Most Dominion supermarkets are up-to-date, large, well located and well adapted to high traffic discount selling, and it is this advantage, together with the company's excellent reputation among

consumers, that management is further developing as it keeps prices down, builds sales and moves towards a restoration of satisfactory returns.

Sales

The initial goal of our discount merchandising program was to achieve immediate and substantial sales increases. The increase of almost $56 millions or 32.63% in the fourth quarter of the year would indicate that this was, indeed, accomplished.

Sales for the 52 weeks ended March 20, 1971 amounted to $768,457,000 compared with $651,650,000 in the 52 weeks ended March 21, 1970, an increase of $116,807,000 or 17.92%. This was by far the largest dollar increase ever achieved on a year-to-year comparison.

Earnings

Earnings declined substantially in the year as a result of a reduction in profit margin, together with the initial start-up costs of instituting the discount merchandising program. Net earnings amounted to $3,322,000, compared with $9,318,000 in the previous year, a decrease of $5,996,000. Net profit represented .43¢ per dollar of sales compared with 1.43¢ the previous year, and profit per share was 41¢ compared with $1.15 a year ago.

Dividends

Dividends paid to shareholders were maintained and amounted to 72¢ per share, the same as in the previous year. Dividends paid in the year totalled $5,816,000 compared with $5,813,000 last year.

Financial Resources

During the course of the year it was deemed prudent to replace the short term borrowing under our approved banking arrangements with long term financing. Accordingly, on December 1, 1970, your company sold to Nesbitt Thomson Securities Limited and associated underwriters $20,000,000 of 9¾% Sinking Fund Debentures, Series D. The proceeds from the sale of these debentures was $19,307,000.

At March 20, 1971, working capital amounted to $27,090,000 and the ratio of current assets to current liabilities was 1.64.

At the fiscal year end, reinvested earnings amounted to $64,746,000 and shareholders' equity totalled $80,499,000.

Expenses

The cost of doing business continued to increase substantially in the year under review, led by employee salaries and benefits and by taxes.

One of the basic principles of discount merchandising is the absolute necessity for stringent control of costs. As a service business, most of our operations are not adaptable to automated processes; therefore we must always be alert to finding ways of doing things better and more economically. Recent accomplishments in this regard have been noteworthy and further practical savings are being developed.

Taxes

Taxes levied by federal, provincial and municipal governments continued to be the second fastest growing expense category. Municipal taxes paid directly by the company have increased 146% over the last ten years and now total $6.4 millions.

Although food products are exempt from federal and provincial sales taxes many daily necessities regularly sold in supermarkets are taxed at both levels. These include waxes and polishes, soaps and detergents, paper products, laundry products, soft drinks, candies and confections, cigarettes and tobacco, and most items of general merchandise.

Taxes take many forms and they are all reflected in the ultimate cost of food and other products. Your company pays federal and provincial taxes on corporate income; taxes to 175 different municipalities; gasoline taxes for fuel used in our fleet of trucks; sales taxes included in the cost of equipment and supplies used in building and maintaining our store and warehouse facilities; provincial capital and place of business taxes and many others. Realistically, all of these taxes have to be included in the cost of merchandise sold through our stores.

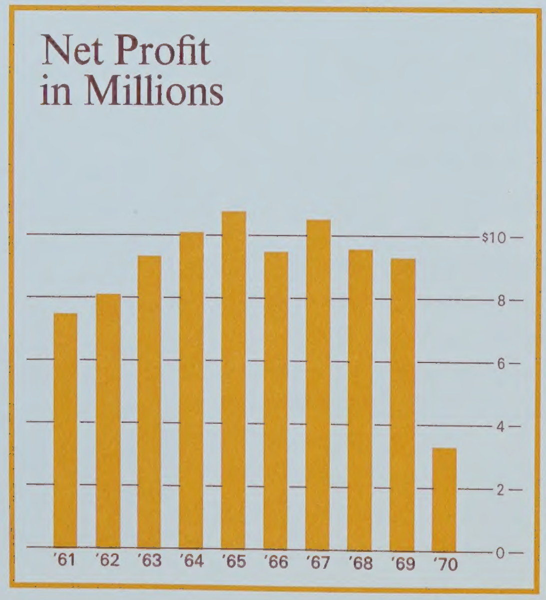
Planned Development

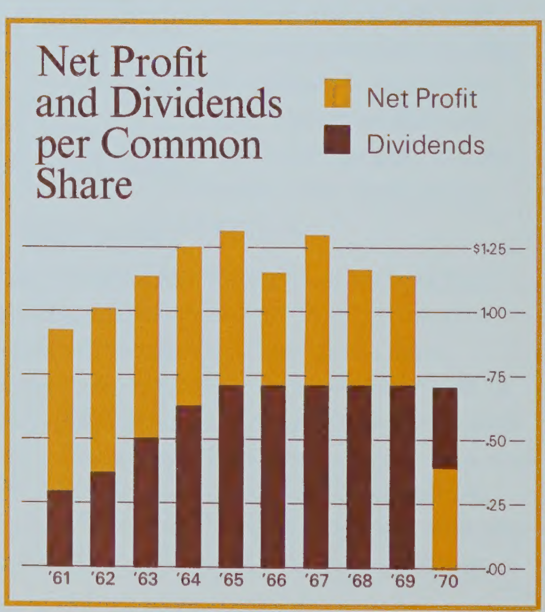
Eighteen stores were opened during the year. Sixteen of these were in shopping centres. Twenty-four stores were modernized to meet new store standards. Nineteen stores were closed, with the result that at the year end, 397 stores were in operation. Plans continue for the opening of stores in strategic locations and this should result in an additional eighteen new stores in the current fiscal year, all of them in shopping centres.

Personnel

Your company places great emphasis on the selection, training and development of its employees. Your company's continuing Employee Development Programme has been invaluable in providing a continually maturing crop of able, experienced, reliable and well-trained people to meet the needs of expansion.

The company encourages and subsidizes a variety of extra-curricular studies, including university courses, night and correspondence courses, conferences and special management courses designed to increase the knowledge and capacity of those who will help to provide the future leadership of the company.





Board of Directors

In accordance with his retirement plans, Mr. Edward P. Taylor has requested that he not be included among the nominees for Directors at the forthcoming Annual Meeting.

Mr. Taylor became a member of the Board of Directors of Dominion Stores Limited on May 2, 1945. In the years following, the Company achieved an enviable record in an era of unprecedented growth, and your Directors wish to acknowledge with thanks Mr. Taylor's contribution to your Company's success through his invaluable counsel on the Board of Directors, and as a member of the Executive Committee of the Board, for more than 25 years.

In deference to Mr. Taylor's wishes, it is with regret that we advise shareholders that his name will not appear as a nominee for the Board.

Annual Meeting

The Annual Meeting of shareholders will be held at the Head Office of the Company, 605 Rogers Road, Toronto, on Monday, August 23rd, 1971, at 11:00 a.m.

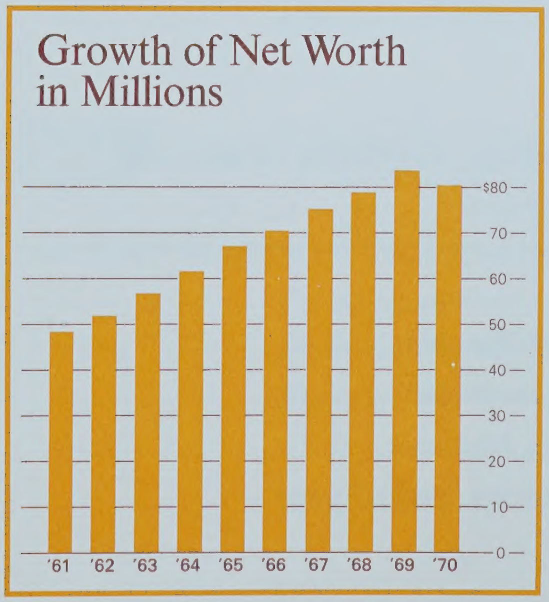
In Appreciation

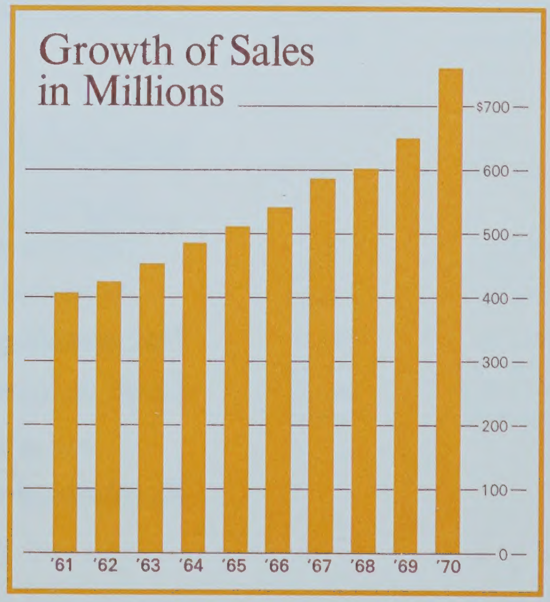
Without the sincere support of the various groups upon whom we are so dependent, the difficulties of operating a business as large and widespread as ours would be almost insurmountable. Your Board of Directors expresses its appreciation to the vast and growing number of Dominion customers, to the thousands of loyal and dedicated employees, to the many dependable suppliers and to our shareholders for their continuing goodwill and interest.

For the Board of Directors,

JOHN A. McDOUGALD
Chairman of the Board

THOMAS G. McCORMACK
President





Consolidated Statements of Earnings and Reinvested Earnings

Consolidated Statement of Earnings

	For the Years Ended March 20, 1971 (52 Weeks)	March 21, 1970 (52 Weeks)
	(in thousands of dollars)	
Sales	$768,457	$651,650
Cost of goods sold and expenses except those shown below	643,908	530,254
Employees' salaries and benefits (note 1)	101,142	86,438
Depreciation (note 4)	8,587	7,928
Municipal taxes	6,425	5,445
Interest on funded debt	1,037	494
Other interest	949	1,077
Investment income	(280)	(294)
	761,768	631,342
Earnings before taxes on income	6,689	20,308
Taxes on income	3,367	10,990
Net earnings for the year	$ 3,322	$ 9,318
Earnings per share	$ .41	$ 1.15

Consolidated Statement of Reinvested Earnings

	For the Years Ended March 20, 1971 (52 Weeks)	March 21, 1970 (52 Weeks)
	(in thousands of dollars)	
Reinvested earnings, beginning of the year		
As previously reported	$ 66,854	$ 63,349
Adjustment of prior years' deferred income taxes (note 4)	1,079	1,079
As restated	67,933	64,428
Net earnings for the year	3,322	9,318
Less: dividends to shareholders	(5,816)	(5,813)
cost of issuing debentures	(693)	—
Reinvested earnings, end of year	$ 64,746	$ 67,933

Consolidated Statement of Source and Use of Funds

		For the Years Ended March 20, 1971 (52 Weeks)	March 21, 1970 (52 Weeks)
		(in thousands of dollars)	
Source of Funds	Net earnings for the year	$ 3,322	$ 9,318
	Charges not requiring cash outlay:		
	Depreciation	8,587	7,928
	Deferred income taxes	810	805
	Funds generated from operations	12,719	18,051
	Proceeds from Series "D" Debentures	19,307	—
	Disposal of fixed assets	1,980	3,004
	Proceeds from shares issued under the stock option plan (note 6)	9	56
		34,015	21,111
Use of Funds	Investment in fixed assets	16,283	15,310
	Dividends	5,816	5,813
	Reduction of long-term debt	914	999
	Investments transferred to non-current assets	2,203	—
	Increase in mortgages and other investments	124	368
		25,340	22,490
	INCREASE (DECREASE) DURING THE YEAR	$ 8,675	$ (1,379)
Working Capital	BALANCE—BEGINNING OF THE YEAR		
	As previously reported	$17,336	$18,715
	Adjustment of prior years' deferred income taxes (note 4)	1,079	1,079
	As restated	18,415	19,794
	INCREASE (DECREASE) DURING THE YEAR	8,675	(1,379)
	BALANCE—END OF YEAR	$27,090	$18,415

Consolidated Balance Sheet as at March 20, 1971

Assets	March 20, 1971	March 21, 1970
	(in thousands of dollars)	
CURRENT:		
Cash	$ 7,386	$ 4,147
Short-term deposits	2,000	—
Marketable investments—at cost	—	2,203
Accounts receivable	870	766
Income taxes recoverable	1,772	—
Mortgages receivable	831	2,083
Merchandise—valued at the lower of cost and market (note 2)	54,151	44,914
Prepaid expenses	955	845
Deferred income taxes (note 4)	1,172	1,172
	69,137	56,130
MORTGAGES AND OTHER INVESTMENTS (note 3)	3,809	1,482
FIXED ASSETS—at cost (note 4):		
Store, warehouse and office equipment	95,080	86,139
Buildings and leasehold improvements	36,699	34,396
	131,779	120,535
Accumulated depreciation	57,385	52,005
	74,394	68,530
Land	9,706	9,854
	84,100	78,384
	$157,046	$135,996

Liabilities

	March 20, 1971	March 21, 1970
	(in thousands of dollars)	
CURRENT:		
Bank loan	$ —	$ 11,400
Accounts payable and accrued expenses	39,179	22,493
Income and sundry taxes	2,150	3,119
Sinking fund instalments due within one year	718	703
	42,047	37,715
DEFERRED INCOME TAXES (note 4)	6,345	5,535
FUNDED DEBT (note 5)	28,155	9,069
CAPITAL STOCK (note 6):		
Authorized—20,000,000 common shares without nominal or par value.		
Issued and fully paid—		
8,077,404 shares at March 21, 1970	15,744	15,744
725 shares for cash during the year	9	—
8,078,129	15,753	15,744
REINVESTED EARNINGS	64,746	67,933
SHAREHOLDERS' EQUITY	80,499	83,677
	$157,046	$135,996

Signed on behalf of the Board—
JOHN A. McDOUGALD, THOMAS G. McCORMACK,
Directors

Notes to Financial Statements

1. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

	March 20 1971	March 21 1970
Number of directors	12	12
Aggregate remuneration as directors	$48,000	$45,000
Number of senior officers	10	12
Aggregate remuneration as senior officers	$414,000	$638,000
Number of senior officers who are also directors	3	5

2. MERCHANDISE

Merchandise is located at both stores and warehouses. The term "market" as it applies to store inventories means "net realizable value" and to warehouse inventories "replacement cost".

3. MORTGAGES AND OTHER INVESTMENTS

This includes marketable investments in the amount of $2,203,000 the quoted value of which at March 20, 1971 was $1,274,000 (last year $1,456,000).

4. DEFERRED INCOME TAXES

Recorded depreciation has been computed on a straight-line basis to amortize the cost of the assets over their estimated useful life. The Company has continued to claim maximum allowances for income tax purposes and deferred income taxes have been set up to the extent that these allowances exceed recorded depreciation. In the current year the Company adjusted its deferred income taxes so as to reflect the tax effect of other cumulative timing differences relating to prior periods. This adjustment resulted in a credit to reinvested earnings as at March 22, 1969 in the amount of $1,079,000. The related deferral of income taxes is included with current assets on the balance sheet.

5. FUNDED DEBT

	March 20, 1971	March 21, 1970
Redeemable Sinking Fund Debentures		
5% Series "A"— maturing May 1, 1972	$ 1,278,000	$1,384,500
4¼% Series "B"— maturing November 1, 1975	4,172,500	4,603,500
5½% Series "C"— maturing December 1, 1976	3,423,000	3,784,000
9¾% Series "D"— maturing December 1, 1990	20,000,000	—
	$28,873,500	$9,772,000
Deduct: Sinking fund instalments due within one year, included in current liabilities	718,500	702,500
	$28,155,000	$9,069,500

The amounts remaining to be paid in the next five fiscal years to meet the sinking fund and retirement provisions of the funded debt are:

Fiscal years ending March	1972	$ 718,500
	1973	1,970,000
	1974	750,000
	1975	750,000
	1976	2,810,000

6. STOCK OPTION PLAN

Pursuant to an employees' stock option plan adopted by the company on August 26, 1969, 136,250 unissued common shares of the company are reserved as at March 20, 1971. Of the options granted to date, the following remain to be exercised (including options on 36,375 shares to senior officers two of whom are also directors):

Number of Shares	Option Price	Expiry Date
406,525	$12.75	August 25, 1974
17,125	12.125	August 16, 1975

The exercise of these options would have no material effect on the reported earnings per share.

7. LONG-TERM LEASES

The total minimum rental liability under leases (excluding insurance, property taxes and certain other occupancy charges) to the date of expiry or option whichever occurs first, for each of the periods shown below, is as follows:

	March 20, 1971	March 21, 1970
Within 10 years	$ 96,006,000	$ 83,819,000
Within the next 5 years	39,063,000	34,720,000
Within the next 5 years	24,074,000	21,128,000
Within the remainder of the term	8,993,000	8,166,000
	$168,136,000	$147,833,000
Minimum annual rentals payable under such leases are	$ 13,827,000	$ 12,658,000

Certain leases contain an option to cancel. Should the company exercise these options, it could be required to purchase the related properties.

8. PENSION PLAN

The estimated unfunded liability under the pension plan as of October 31, 1970 amounted to $9,945,000 which will be paid over the next 19 years by means of annual instalments of approximately $772,000.

Auditors' Report

McDONALD, CURRIE & CO.
CHARTERED ACCOUNTANTS

120 Adelaide Street West,
Toronto.

We have examined the consolidated balance sheet of Dominion Stores Limited and its subsidiaries as at March 20, 1971 and the consolidated statements of earnings, reinvested earnings and source and use of funds for the fiscal year then ended. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at March 20, 1971 and the results of their operations and the source and use of their funds for the fiscal year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

McDonald, Currie & Co.
April 8, 1971 — Chartered Accountants

Ten Year Financial Summary *(dollars in millions)*

As at fiscal years ended March:	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962
TOTAL ASSETS	$157.0	$136.0	$126.3	$116.1	$108.2	$104.3	$ 97.8	$ 93.4	$ 86.7	$ 84.3
CURRENT ASSETS	$ 69.1	$ 56.1	$ 51.2	$ 51.5	$ 45.0	$ 47.8	$ 44.5	$ 47.5	$ 43.6	$ 42.1
CURRENT LIABILITIES	42.0	37.7	32.5	25.8	21.7	21.1	19.8	20.4	18.1	16.8
WORKING CAPITAL	$ 27.1	$ 18.4	$ 18.7	$ 25.7	$ 23.3	$ 26.7	$ 24.7	$ 27.1	$ 25.5	$ 25.3
Working Capital Ratio	1.6	1.5	1.6	2.0	2.1	2.3	2.2	2.3	2.4	2.5
OTHER ASSETS	$ 3.8	$ 1.5	$ 1.1	$ 1.2	$ 1.7	$ .3	$ .3	$ .7	$ .8	$ .8
NET FIXED ASSETS	84.1	78.4	74.0	63.4	61.5	56.2	53.0	45.2	42.3	41.4
DEFERRED INCOME TAXES	6.3	5.5	4.7	4.0	3.9	3.5	3.1	2.7	2.6	2.6
FUNDED DEBT (excludes current portion)	28.2	9.1	10.1	11.0	12.0	12.8	13.0	13.5	14.5	16.4
BOOK VALUE OF SHAREHOLDERS' INVESTMENT IN THE BUSINESS	$ 80.5	$ 83.7	$ 79.0	$ 75.3	$ 70.6	$ 66.9	$ 61.9	$ 56.8	$ 51.5	$ 48.5
Accounted for as follows—										
Capital stock	$ 15.8	$ 15.7	$ 15.7	$ 15.7	$ 15.7	$ 15.6	$ 15.4	$ 15.2	$ 15.2	$ 15.2
Reinvested earnings	$ 64.7	$ 68.0	$ 63.3	$ 59.6	$ 54.9	$ 51.3	$ 46.5	$ 41.6	$ 36.3	$ 33.3
NUMBER OF SHARES OUTSTANDING (000 Omitted)	8,078	8,077	8,073	8,073	8,073	8,069	8,058	8,050	8,050	8,050
NUMBER OF SHAREHOLDERS	11,748	11,305	11,158	11,241	10,895	10,053	9,758	9,084	9,317	8,550
CAPITAL EXPENDITURES	$ 16.3	$ 15.3	$ 18.3	$ 10.6	$ 14.7	$ 13.9	$ 16.0	$ 9.1	$ 7.0	$ 5.7

Ten Year Statement of Earnings *(dollars in millions)*

For the fiscal years ended March:	1971	1970	1969	1968*	1967	1966	1965	1964	1963*	1962
SALES	$768.5	$651.6	$602.9	$584.2	$543.5	$513.7	$487.7	$459.3	$427.0	$408.2
COST OF GOODS SOLD AND EXPENSES										
Cost of goods sold and expenses except those shown below	$644.0	$530.3	$492.6	$480.4	$452.3	$428.4	$408.0	$387.6	$362.1	$347.4
Employees' salaries and benefits	101.1	86.4	76.5	69.5	61.3	53.8	50.0	44.6	41.0	38.3
Depreciation	8.6	7.9	6.8	6.7	6.0	5.9	5.3	4.8	4.5	4.4
Municipal taxes	6.4	5.4	5.1	4.7	4.0	3.6	3.3	3.0	2.8	2.6
Interest on funded debt	1.0	.5	.5	.6	.6	.6	.6	.7	.7	.8
Other interest	1.0	1.1	.3	.1	—	—	—	—	—	—
Investment income	.3	.3	.3	.3	.4	.3	.5	.8	.8	.6
	$761.8	$631.3	$581.5	$561.7	$523.8	$492.0	$466.7	$439.9	$410.3	$392.9
EARNINGS BEFORE TAXES ON INCOME	$ 6.7	$ 20.3	$ 21.4	$ 22.5	$ 19.7	$ 21.7	$ 21.0	$ 19.4	$ 16.7	$ 15.3
Per dollar of sales	.87¢	3.12¢	3.55¢	3.86¢	3.63¢	4.21¢	4.30¢	4.23¢	3.92¢	3.74¢
TAXES ON INCOME	$ 3.4	$ 11.0	$ 11.9	$ 12.0	$ 10.3	$ 11.0	$ 10.9	$ 10.1	$ 8.6	$ 7.8
Per dollar of sales	.44¢	1.69¢	1.97¢	2.06¢	1.90¢	2.14¢	2.23¢	2.20¢	2.02¢	1.90¢
NET EARNINGS	$ 3.3	$ 9.3	$ 9.5	$ 10.5	$ 9.4	$ 10.7	$ 10.1	$ 9.3	$ 8.1	$ 7.5
Per dollar of sales	.43¢	1.43¢	1.58¢	1.80¢	1.73¢	2.07¢	2.07¢	2.03¢	1.90¢	1.84¢
Per share	$ .41	$ 1.15	$ 1.17	$ 1.30	$ 1.16	$ 1.32	$ 1.25	$ 1.15	$ 1.01	$ .93
DIVIDENDS	$ 5.8	$ 5.8	$ 5.8	$ 5.8	$ 5.8	$ 5.8	$ 5.2	$ 4.0	$ 3.1	$ 2.4
Per share	72¢	72¢	72¢	72¢	72¢	72¢	64¢	50¢	38¢	30¼¢
NUMBER OF EMPLOYEES—full time	10,381	9,664	9,231	9,066	8,766	8,437	8,023	7,900	7,280	7,356
—part time	10,230	8,706	7,935	7,798	7,587	8,125	7,159	7,587	6,416	6,862
	20,611	18,370	17,166	16,864	16,353	16,562	15,182	15,487	13,696	14,218
NUMBER OF STORES OPENED DURING YEAR	18	20	17	13	23	26	29	18	17	10
NUMBER OF STORES AT END OF YEAR	397	398	389	381	380	377	380	368	363	355

*53 Weeks

Dominion Stores Limited

Incorporated under the laws of Canada

Head Office:

605 Rogers Road, Toronto 15, Ontario

District Offices:

St. John's, Nfld.	Toronto, Ont.
Halifax, N.S.	Hamilton, Ont.
Saint John, N.B.	Windsor, Ont.
Quebec, Que.	Sudbury, Ont.
Montreal, Que.	Winnipeg, Man.
Ottawa, Ont.	

Board of Directors – Affiliations

JOHN A. McDOUGALD
Chairman of the Board and Chairman of the Executive Committee–
Dominion Stores Limited
Chairman of the Board and President–
Argus Corporation Limited
Chairman of the Executive Committee and Vice-President–
Hollinger Mines Limited
Director and member of the Executive Committee–
Canadian Imperial Bank of Commerce
Massey-Ferguson Limited

THOMAS G. McCORMACK
President and Chief Executive Officer–
Dominion Stores Limited
Director–
Argus Corporation Limited
Crown Trust Company

LEWIS H. M. AYRE
Chairman of the Board and President–
Ayre and Sons Limited
Chairman of the Board–
Ayres Limited
The Newfoundland Telephone Limited
Director–
The Bank of Nova Scotia

ALEX E. BARRON
Chairman of the Board–
Canadian Tire Corporation Limited
Director–
London Life Insurance Company
The Canada Trust Company

STEWART G. BENNETT
Director–
Canada Permanent Trust Company
Phoenix Assurance Company

GEORGE M. BLACK, Jr.
Vice-President–
Argus Corporation Limited
Director and member of the Executive Committee–
Canadian Imperial Bank of Commerce
Director–
Dominion Tanners Sales Corporation Limited

PIERRE PAUL DAIGLE
Vice-President–
Malcolm G. MacLean Lumber Limited
Director–
R.C.A. Victor Company Limited
Confederation Life Association
Goodyear Tire and Rubber Company of Canada
International Paints (Canada) Limited

A. BRUCE MATTHEWS
Chairman of the Board–
The Excelsior Life Insurance Company
Chairman of the Board–
Canada Permanent Trust Company
Executive Vice-President–
Argus Corporation Limited

MAXWELL C. G. MEIGHEN
Chairman of the Board–
Canadian General Investments Limited
Vice-President–
Argus Corporation Limited
The Canada Trust Company
Director–
The Algoma Steel Corporation Limited

ANDRE MONAST, Q.C.
Partner–
St. Laurent, Monast, Desmeules & Walters
Director–
Canadian Imperial Bank of Commerce
Churchill Falls (Labrador) Corporation Limited
Noranda Mines Limited
Canada Cement Lafarge Limited

WILLIAM J. STEWART
Vice-President and Secretary–
Dominion Stores Limited

*E. P. TAYLOR
Chairman of the Board–
The New Providence Development Company Limited
Chairman, Executive Committee–
Massey-Ferguson Limited
Director–
Argus Corporation Limited
The Royal Bank of Canada

*Please see page 7.

The Aim

of Dominion Stores Limited
is to fulfil with ever-increasing efficiency
its responsibility as a distributor of food,
thereby performing a satisfactory service
to the consumer, producer, manufacturer
and processor; to discharge its
responsibility to shareholders whose
investment makes the company possible;
and to provide its employees with a
satisfactory living under the best
possible conditions.

AR39

DOMINION STORES LIMITED

Toronto, Canada

November 16, 1971

To Our Shareholders:

Your Company continues to contribute in an important way to restrain and minimize increases in the price of food. This fact has been confirmed by the shopping public which has strongly endorsed our policies of sound merchandising and every day low pricing.

Sales for the first half of the fiscal year were up $114 million or 34% over last year. Expenses for the first half of the fiscal year were higher by $8.5 million or 12% over last year. 76% of this increase is accounted for by store labour costs. Net earnings for the first half of the fiscal year were up $138,792 or 3.73% over last year.

It is worth noting that net earnings were less than one cent on each dollar of sales.

HIGHLIGHTS (unaudited)

(dollars are in thousands)	for the 26 weeks ended Sept. 18, 1971	Sept. 19, 1970
Sales	**$451,939**	$337,111
Per cent increase	**34.06%**	
Earnings before taxes	**$ 8,162**	$ 8,003
Taxes on income	**4,305**	4,285
Net earnings	**3,857**	3,718
Per dollar of sales	**.85¢**	1.10¢
Per share	**47¢**	46¢
Dividends paid	**$ 2,908**	$ 2,908
Per share	**36¢**	36¢
Number of stores	**398**	395

STATEMENT OF SOURCE AND USE OF FUNDS

(thousands of dollars)	for the 26 weeks ended Sept. 18, 1971	Sept. 19, 1970
Source of Funds		
Net earnings	$ 3,857	$ 3,718
Depreciation	4,624	4,235
Funds generated from operations	8,481	7,953
Disposal of fixed assets	2,272	271
Shares issued under stock option plan	30	10
	10,783	8,234
Use of Funds		
Investment in fixed assets	7,223	6,547
Dividends paid	2,908	2,908
Long term debt reduction	1,220	164
Investments transferred to non-current assets	—	2,203
Mortgages receivable	450	715
	11,801	12,537
Working Capital		
Decrease in the 26 weeks	(1,018)	(4,303)
Balance — beginning of the year	27,090	17,336
Balance — end of the half year	$ 26,072	$ 13,033

For the Board of Directors,

THOMAS G. McCORMACK,
President

(Texte français au verso)

DOMINION STORES LIMITED

Toronto, Canada

Le 16 novembre 1971.

À nos actionnaires

Votre compagnie continue à contribuer de manière importante à freiner et minimiser l'augmentation du prix des aliments.

Le public acheteur a témoigné de la validité de ce fait en endossant fermement la pratique de saine commercialisation et de bas prix quotidiens que nous avons pour ligne de conduite.

Les ventes du premier semestre augmentèrent de $114 millions ou 34% au regard de l'année dernière. Les dépenses du premier semestre de l'exercice surpassèrent de $8.5 millions ou 12% celles du semestre correspondant de l'exercice précédent. 76% de cette hausse est attribuable aux frais de main-d'oeuvre des magasins. Les bénéfices nets du premier semestre de l'exercice surpassèrent de $138,792 ou 3.73% ceux du premier semestre de l'année dernière.

Il convient de noter que les bénéfices nets s'établirent à moins de un pour cent de chaque dollar de ventes.

POINTS SAILLANTS (non vérifiés)

(en milliers de dollars)

	Pour les 26 semaines terminées	
	le 18 sept. 1971	le 19 sept. 1970
Ventes	$451,939	$337,111
Pourcentage d'augmentation	34.06%	
Bénéfices avant impôts	$ 8,162	$ 8,003
Impôts sur le revenu	4,305	4,285
Bénéfices nets	3,857	3,718
Par dollar de ventes	.85¢	1.10¢
Par action	47¢	46¢
Dividendes versés	$ 2,908	$ 2,908
Par action	36¢	36¢
Nombre de magasins	398	395

ÉTAT DE LA PROVENANCE ET DE L'UTILISATION DES FONDS

(en milliers de dollars)

	Pour les 26 semaines terminées	
	le 18 sept. 1971	le 19 sept. 1970
Provenance des fonds		
Bénéfices nets	$ 3,857	$ 3,718
Amortissement	4,624	4,235
Fonds provenant de l'exploitation	8,481	7,953
Vente d'immobilisations	2,272	271
Actions émises en vertu du plan d'option sur actions	30	10
	10,783	8,234
Utilisation des fonds		
Placement en immobilisations	7,223	6,547
Dividendes versés	2,908	2,908
Réduction de la dette à long terme	1,220	164
Placements transférés à l'actif non disponible	—	2,203
Hypothèques à recevoir	450	715
	11,801	12,537
Fonds de roulement		
Diminution durant les 26 semaines	(1,018)	(4,303)
Solde — au début de l'exercice	27,090	17,336
Solde — à la fin du semestre	$26,072	$13,033

Au nom du Conseil d'administration

Le Président

THOMAS G. McCORMACK

(English text on reverse side)